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Research Article

Foreign Direct Investment's Effect on the Indian Retail Industry - A Case Study of Selected Five Major Indian Retail Sectors

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Abstract

The paper examines the effect of foreign direct investments on the Indian retail sector. The inflow of foreign direct investments into India's retail sector has growth and boosted the Indian country's GDP. In order to research and assess the effect, government policy and other determinant were also discussed. India's retail industry is booming, with plenty of opportunities. Investing possibilities Until 2006, there were limits on foreign direct investment inflows. The Indian retail sector in India is a rapidly expanding market with numerous investment opportunities. Until 2006, there were limits on foreign direct investment inflows. Since 2006, however, the government has made a positive shift in policy, encouraging foreign companies to invest in the country. India is a great place to invest in and own. The paper looks at how India's retail industry is growing, as well as tax incentives and other factors that affect foreign direct investments inflows. It also looks at the obstacles and threats that allowing a foreign company to invest in India poses to Indian retailers (small, medium, and large).

Keywords: *FDI, Indian Retail Sector, GDP, Government Policy, and Foreign investment Companies*

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Introduction

Retail is an important connection between the manufacturer and the customer. The Indian economy has expanded rapidly in the last ten years, and the retail sector is becoming more exciting. In the 2017 Global Retail Growth Index, India was ranked first, and by 2025, it is projected to be the world's third largest Indian retail market. India is the world's fifth-largest economy. a great deal of shopping space Buying and selling. The industry is divided into two sectors: organised and unorganised. The organised sector accounts for roughly 93 percent of the retail industry, while the unorganised sector accounts for about 7%. Because of its growing economy, India is seen as a desirable destination for foreign direct investment. Other considerations include changing technology. However, there has been one field that has been closed to FDI inflows. The retail industry is divided into three categories: D Multi-brand revenues, E Single-brand sales, and F revenue from a single brand. By allowing 100 percent FDI to automatically sell goods, the Indian government has taken measures to encourage "MADE IN INDIA" and "E COMMERCE." as well as online services The aim of this government initiative is to increase the sales and production of domestic products and services sold by small medium and large Indian retailers..

Lıterature Revıew

Dr. Namita Rajput, Dr. Subhodh Kasarani, and others. Akanksha Khanna, Dr. Namita Rajput, Dr. Subhodh Kasarani, and others. Journal of Business Administration Study, June 2012 The impact of the new Indian retail FDI policy on Indian consumers and the economy is examined using as a SWOT analysis. It has the benefits of rising competition, benefiting farmers and customers, and lowering costs. generating possibilities Infrastructure deficits, complicated tax and government fiscal policies, and an unstable government were all identified as shortcomings in the quest for jobs. Improving quality standards sales distribution and warehousing infrastructure, rural retailing, job loss risks, unfair competition, and income repatriation outside risk the country were all possibilities India is a country in Asia. The strength and ability outweigh the risk, according to the report. Progressive government policies and minority-friendly policies are in jeopardy. (Khanna, Rajput, and Kesha desire, 2012)

Global Journal of Business Management and Information Technology, authored by Bhavya Malhotra, was published in 2012. The aim of this study is to look at FDI trends and flow patterns, as well as to figure out what factors affect FDI inflows, evaluate the impact of FDI on the Indian economy, and comprehend India's investment flow. FDI inflows and outflows of foreign direct investment (FDI) outflows were compared by the author) GDP in a tabular format for the years 1991-92 to 2011-Number 121. (post liberalisation period). The author has built a positive relationship with the author and assumes that FDI inflows, as well as existing companies' innovations and skills, profit domestic capital. When it comes to resource, equity, political, and federal problems, the author discovered that there is room for change. (Dissertation)

By 2020, Crisil's retail market share would have risen by 300 basis points to 10%. Mumbai, India, 15 January 2017. According to Crisil, India's organised retail sector market share will increase by 10% by 2020, up from 7% in the previous fiscal year. According to the findings of the study, a more favourable operating climate and the relaxation of single-brand retail rules would result in increased speed. Development headwinds will now be more than keen in India to peg tent in their core geographies," said Anuj Sethi, Senior Director, CRISIL Ratings. "And those who are already in place will raise their investments." Prior sourcing norms were a a roadblock in the expansion of operations CRISIL looked at 93 retailers that collaborated.As shown by the credit ratio, their credit quality increased. (By 2020, Crisil's organised retail market share would have risen from 300 basis points to 10%.) Indian Foreign Direct Investment (IFDI) in single-brand, multi-brand retail, and e-commerce, in general

Anubhav Pandey examines the effect of FDI policies on single-brand retail in this article. According to the Department of Industrial Policy and Promotion (DIPP), automatic routes should be pursued in the case of 100 percent foreign direct investment in single-brand retail, while 30 percent of the value of products should be sourced from domestic sources in the case of 100 percent foreign direct investment in multi-brand retail. FDI of more than 51 percent. India is a country in Asia. E-commerce retail should be followed by Indian firms, as shown by foreign companies investing. The central government, in this case, allows FDI to be framed. The article also covers a wide range of topics, such as the impact of liberalisation on multi-brand retail and the differences between e-commerce policies. with and the implementation of multi-brand policies The example of Flipkart will help you better understand how e-commerce has evolved in recent years. (2018, Pandey)

May 2016 issue of the International Journal of BRIC Business Research Rachna Agrawal, Jyotsna Chawla, and Bhavna Sharma, among others The research focuses on small retailers and the creation of research-based strategies for going ahead in a competitive environment that is constantly evolving. To succeed, the authors conclude that small retailers must devote time to revitalising their strategies Clients are drawn to their retail establishments. Unlike in the past, when consumers relied on local retail stores to meet their needs, new concepts such as e-tailing and customised merchandise are causing a huge shift in consumer response in today's world. Small businesses should focus more on CRM activities, SCM, and marketing. According to the writers, this would boost customer service. Develop the group and, most importantly give The programmes have a personal touch to them. The authors discovered that liberalising FDI policies had both positive and negative effects in the retail sector. The authors further recommend that the government enact stringent legislation to protect small businesses. Retail can succeed if it is coordinated, and unorganised sectors can coexist and flourish.

Statement Of The Problem

An examination of the pharmaceutical, automotive, utility, manufacturing, and telecommunications sectors' impact on foreign direct investment in India's retail industry.

Aıms Of The Study

- To Analyze the combined effect of the five sectors selected.

- To investigate the trend analysis in the five sectors selected.
- To examine the retail industry's development across various segments.

Scope Of The Study

The aim of this study is to examine the impact of Indian foreign direct investment in the Indian retail sector over the last ten years. Just five sectors were the focused of our investigation. These five Indian retail sectors were chosen based on their place among the top sectors in terms of foreign direct investment inflows of an Indian economy. Secondary Data has been collected over the last ten years, As the Indian retail industry sector has been undergone significant changes. There have been major improvements. There has been a significant change since then. The Indian retail sector was largely dominated by small unorganised companies prior to globalisation and the launch of FDI in India.

Test Of Hypothesıs

H0: In terms of FDI inflows, there is no noticeable growth across industries.

H1: In terms of FDI inflows, there is substantial growth in various sectors.

Research Methodology

7.1 SOURCES OF THE DATA.

The formulation of goals and a statement of the problem is an essential part of any research project because it determines the scope, depth, and direction of the study. Our source of data is secondary only.

7.2 ANALYSIS OF THE TOOLS

To demonstrate that the hypothesis is right, data analysis is important. Therefore, choosing the right data analysis method is very critical. The trend analysis technique is to evaluate the development in the retail space of selected sectors. One-way anova has been applied was to show whether growth among these sectors is important in relation to the inflow of foreign direct investment.

Lımıtatıons Of The Study

The research paper is limited to retailing in India only in terms of growth. No aspects of the other industries were taken into account.

Analysıs Of The Data

The paper examines the growth rate of foreign direct investment in five retail sectors under a single retail industry using a one-way ANOVA. We reach the conclusion that the null hypothesis is correct after interpreting the test results. The rate of growth has remained constant level of these five industries The analysis shows that the sig. is 0.493, which is greater than 0.05. It's possible that this is due to the fact that foreign direct investment in this sector is 100 percent. As a result, the null hypothesis is acknowledged as true.

9.1 ANOVA					
	Sum of Squares	Df	Mean Squares	F	Sig.
Between Groups	6.498	4	1.625	0.865	0.493
Within Groups	75.113	40	1.878		
Total	81.611	44			

Sources of data: From RBI Report

9.1 TREND ANALYSIS

The country's total foreign direct investment inflow was studied in detail. According to the trend, there has been a rise in foreign direct investment. Since 2006, foreign direct investment has been rising, but it has picked up speed since 2012. Changes in Indian government policy, India's emergence as a global market, and a variety of other factors are all contributing to this Both of these advances in technology are contributing factors. In 2012, the government increased foreign direct investment inflows to single-brand retail from 51% to 100%, and to multi-brand retail from 51% to 51%. Prior to 2012, multi-brand retail in India was restricted to foreign direct investment inflows.

9.1.1 Service sector (Rs. Corres)

Year	**Service sector**	**Growth**
2008	28517	-------
2009	20777	-37.26%
2010	15,054	-38.03%
2011	24,657	38.85%
2012	26307	6.37%
2013	13,295	-97.98%
2014	27,370	51.53%
2015	27,631	0.95%
2016	58,215	52.64%
2017	43,250	-34.70%

Sources of data: From RBI reports.

Service sector: As can be seen in the graph above, FDI inflows into the service sector have been rapidly increasing since 2012, with the exception of 2013. In 2014, FDI inflows increased once more as the government took measures to boost the ease of doing business and attract FDI investment.

9.1.2 Pharmaceutical sector (Rs. Corres)

Year	**Pharmaceuticals**	**Growth**
2008	801	---
2009	1007	20.58%
2010	962	-4.78%
2011	14606	93.52%
2012	6012	-143.97%
2013	7192	16.51%

2014	9053	20.66%
2015	2268	-299.39%
2016	5724	60.49%
2017	6503	12.98%

Sources of data: From RBI reports.

9.1.3 Construction Sector (Rs. Corres)

Year	**Construction**	**Growth**
2008	8793	-----
2009	13517	35.95%
2010	4110	-229.94%
2011	15237	73.13%
2012	7249	-110.31%
2013	7509	3.56%
2014	4653	-61.49%
2015	674	-591.33%
2016	704	4.37%
2017	3473	79.85%

Sources of data: From RBI reports

9.1.4 Telecommunication sector (Rs. Corres)

Year	**Telecommunication**	**Growth**
2008	11728	-----
2009	12339	4.97%
2010	6022	104.82%
2011	9013	33.29%
2012	1655	444.96%
2013	503	229.58%
2014	17373	97.21%
2015	6937	150.56%
2016	37436	81.57%
2017	39749	5.83%

Sources of Data: RBI Report

9.1.5 Automobile sector (Rs. Corres)

Year	**Automobile**	**Growth**
2008	5213	-----
2009	5755	9.52%
2010	4806	-19.85%
2011	4348	-10.64%
2012	8385	48.25%
2013	9028	7.22%
2014	16761	46.24%

2015	11406	-46.85%
2016	10825	-5.47%
2017	13462	19.69%

Sources of Data: RBI Report

The automobile industry grew dramatically in 2014 and has been steadily increasing since then. Since car production in Japan and South Korea has become more costly in recent years, some automakers have opted to move their operations to countries like India and China, where resources are cheaper

In the last two years, FDI into the telecommunications market has increased dramatically. FDI inflows into the telecommunications sector have increased as a result of rapid technological advancements and the launch of services such as 3G, 4G, and 5G, as well as the huge increase in the number of telecommunications users as a result of Reliance JIO's entry. significantly. are expected to skyrocket. to grow rapidly in the coming years.

Fındıngs Of The Study

- Foreign direct investment has had a major effect on the retail industry's growth and development, with FDI inflows in the retail sector increasing over the last decade.
- This paper discovered that none of the chosen sectors have experienced significant growth.
- Over a ten-year period, the study looked at the relationship between the five sectors of the Indian retail industry. Changes in the distribution of foreign direct investment (FDI) among sectors are inevitable.
- Other multi-brand and single-brand retail markets, as well as government tax incentives and tax policies of countries investing in India, can all be included in the report's context...

Conclusıon Of The Study

In recent years, India's retail sector has developed by leaps and bounds. FDI in the form of direct and institutional investment has exploded in terms of growth and job creation. The effect of FDI on the Indian economy has shifted dramatically from the colonial period to the modern era. The government's transition policies are being introduced and adopted. 'The' availability of labour and services, as well as technology, have all contributed to the Indian retail industry's high productivity, which has resulted in an increase in FDI inflow. As a result, numerous retail companies have been diversified, developed, and launched. a company The recent policy allowing 51 percent FDI in multi-brand retail, as well as the 2012 amendment allowing 51 percent FDI in multi-brand retail, both allow 51 percent FDI in multi-brand retail. 100 percent FDI in single-brand retail has resulted in lower prices and better inflation control, as well as job growth, induced investment, and encouraged small and medium-sized businesses to participate in the automatic path. a business that wants to grow expand its market Participants would be able to comprehend the project by participating in it

FDI's role in the growth of the retail sector over time According to the estimates and research, foreign direct investment (FDI) is a major contributor to the Indian economy.

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